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ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
LUTCHER, LOUISIANA
MARCH 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/8/03

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LARRY G. JOHNSON

CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Commissioners
St. James Parish Hospital Service District
Lutcher, Louisiana

I have audited the accompanying balance sheets of

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
LUTCHER, LOUISIANA

at March 31, 2003, and March 31, 2002, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits of the financial statements provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. James Parish Hospital Service District as of March 31, 2003, and March 31, 2002, and the results of its operations, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 19, 2003, on my consideration of St. James Parish Hospital's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

St. James Parish Hospital Service District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34. Managements Discussion and Analysis and the other required supplementary information on pages 4-7, are not a required part of the basic financial statements, but are supplementary information required by GASB. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in cursive script, appearing to read 'Larry G. Johnson'.

September 19, 2003

**ST. JAMES PARISH HOSPITAL
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF MARCH 31, 2003**

Management's Discussion and Analysis of St. James Parish Hospital (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended March 31, 2003 and 2002. Please read it in conjunction with the Hospital's financial statements which begin on page 8.

Financial Highlights

- The Hospital's net assets increased from the past fiscal year with a \$669,921 or 8.4% increase in March 31, 2003.
- The Hospital reported increased operating revenue of \$215,618 or 3% over the past year. We also reported increase in operating expenses of \$877,161 or 14% over the past year. The operating loss in March 31, 2003 increased by \$661,543 over the past year.
- Non-operating revenue increased by \$38,330 or 3% over the past year.
- Changes in net assets (net income) decreased by \$623,213.

Using This Annual Report

The Hospital's financial statements consist of three statements: a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets

Our analysis of the Hospital finances begins on page 5. One of the most important questions asked about the Hospital finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did the cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

Financial Analysis

Some significant components of the change in the Hospital’s assets are the increase in patient receivables, increase in contractual settlements, and the increase in property, plant and equipment.

Assets, Liabilities, and Net Assets

	3/31/2003	3/31/2002
Assets:		
Current assets	\$2,546,720	\$1,965,290
Capital assets, net	3,383,923	2,521,233
Other noncurrent assets	<u>3,899,974</u>	<u>4,282,830</u>
Total assets	<u>9,830,617</u>	<u>8,769,353</u>
Liabilities:		
Long-term debt outstanding	449,946	0
Other current and noncurrent		
Liabilities	<u>737,676</u>	<u>796,279</u>
Total liabilities	<u>\$1,187,622</u>	<u>\$796,279</u>
Net assets:		
Invested in capital assets, net of		
related debt	\$2,854,374	\$2,501,592
Unrestricted	<u>5,788,621</u>	<u>5,471,482</u>
Total net assets	<u>\$8,642,995</u>	<u>\$7,973,074</u>

Operating Results and Changes in the Hospital’s Net Assets

The first component of the overall change in the Hospital’s net assets is its operating loss – generally the difference between net patient service revenues and the expenses incurred to perform those services. In this past year, the Hospital has reported an operating loss. This is consistent with the Hospital’s operating history. Since the inception of the Hospital’s operations as a municipal hospital, it was agreed that a portion of its costs would be subsidized by property tax revenues, to be used for operations and maintenance.

The primary components of the operating loss are:

- Increases in salary and benefit cost for hospital's employees (\$484,742 or 17%)
- An increase in the provisions for bad debts. (\$178,176 or 39%)

Employee salary and benefits costs increased based on market rates and group insurance cost.

	3/31/2003	3/31/2002
Operating Revenues:		
Net patient service revenues	\$5,862,283	\$5,830,103
Other Operating revenues	<u>661,663</u>	<u>478,225</u>
Total operating revenues	6,523,946	6,308,328
Operating Expenses:		
Salaries and benefits	3,307,864	2,823,122
Medical supplies and drugs	727,379	698,615
Depreciation	362,442	368,770
Other operating expenses	<u>2,777,720</u>	<u>2,407,737</u>
Total operating expenses	<u>7,175,405</u>	<u>6,298,244</u>
Operating profit (loss)	(651,459)	10,084
Nonoperating Revenues and Expenses		
Property taxes	1,119,526	1,009,712
Investment income	159,608	134,463
Other nonoperating revenues and expenses, net	<u>(5,326)</u>	<u>1,368</u>
Total nonoperating revenues (expenses)	1,273,808	1,145,543
Excess of revenues over expenses before capital grants and Contributions	622,349	1,155,627
Grants and Contributions		
Capital grants and contributions	<u>47,572</u>	<u>137,507</u>
Increase in net assets	<u>669,921</u>	<u>1,293,134</u>
Net assets end of year	<u>\$8,642,995</u>	<u>\$7,973,074</u>

Cash Flows

The Hospital had a \$372,300 increase in cash and cash equivalents over the past year.

Cash flows used by operating activities were \$562,551. Cash flows from operating activities are received from and on behalf of patients. Cash flows used by operating activities are used mainly to pay employees for salaries and benefits and to pay suppliers and contractors.

The Hospital received \$1,106,704 in cash flows from non capital financing activities. Cash flows from non capital financing activities represent a significant amount of cash the Hospital receives from property taxes.

Cash flows used for capital and related financing activities were \$714,317. The Hospital used \$278,147 more in cash flows over the past year.

Cash flows provided by investing activities were \$542,464. This is cash flows from earnings on investments and from sales and purchases of investments.

Capital Asset and Debt Administration

Capital Asset

At the end of 2003, the Hospital had \$3,383,923 invested in capital assets, net of accumulated depreciation. The Hospital purchased new equipment costing \$1,227,819. Of this, \$529,549 was acquired through capital leases.

Debt

At year-end the Hospital had \$529,549 in capital lease obligations outstanding that were acquired in fiscal year 2003.

Economic Factors

The St. James Parish Hospital's appointed officials considered the following factors and indicators when setting next year's budget:

- Fiscal Year 2004 revenues to be consistent with 2003
- Rate increase of 3%
- Salaries were estimated to reflect workforce shortage areas

Contacting the Hospital's Financial Management

The financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have any questions about this report or need additional information, please contact:

Tracy George
Chief Financial Officer
St. James Parish Hospital
2471 Louisiana Avenue
Lutcher, LA 70071

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
BALANCE SHEETS
MARCH 31, 2003, AND MARCH 31, 2002

A S S E T S

	<u>MARCH 31,</u> <u>2003</u>	<u>MARCH 31,</u> <u>2002</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$1,023,454	\$651,154
Accounts receivable, patients	800,842	661,958
Contractual settlements receivable	131,483	0
Taxes receivable	279,160	260,963
Other receivables	103,960	194,890
Inventories	149,093	139,444
Prepaid expenses	<u>58,728</u>	<u>56,881</u>
<u>Total current assets</u>	2,546,720	1,965,290
 <u>ASSETS WHOSE USE IS LIMITED</u>		
By agreements with third party payors for funded depreciation	3,899,974	4,282,830
 <u>CAPITAL ASSETS</u>	 <u>3,383,923</u>	 <u>2,521,233</u>
<u>Total assets</u>	 <u>9,830,617</u>	 <u>8,769,353</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$353,285	\$201,712
Contractual settlements payable	0	326,706
Current maturities of long-term debt	79,603	19,641
Accrued expenses	<u>304,444</u>	<u>211,912</u>
<u>Total current liabilities</u>	737,332	759,971
 <u>LONG-TERM DEBT</u>	 449,946	 0
 <u>DEFERRED REVENUE</u>	 <u>344</u>	 <u>36,308</u>
<u>Total liabilities</u>	1,187,622	796,279
 <u>NET ASSETS - UNRESTRICTED</u>		
Invested in capital assets, net of related debt	2,854,374	2,501,592
Unrestricted	<u>5,788,621</u>	<u>5,471,482</u>
Total net assets	<u>8,642,995</u>	<u>7,973,074</u>
<u>Total liabilities and net assets</u>	 <u>9,830,617</u>	 <u>8,769,353</u>

Notes are an integral part of this statement.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2003, AND MARCH 31, 2002

	<u>YEAR ENDED MARCH 31, 2003</u>	<u>YEAR ENDED MARCH 31, 2002</u>
<u>NET PATIENT SERVICE REVENUE</u>	\$5,862,283	\$5,830,103
<u>OTHER OPERATING REVENUES - PATIENT SERVICES</u>	<u>661,663</u>	<u>478,225</u>
<u>Total patient service revenue</u>	<u>6,523,946</u>	<u>6,308,328</u>
<u>OPERATING EXPENSES</u>		
Payrolls	2,738,412	2,461,090
Employee benefits	569,452	362,032
Contract services and professional fees	1,649,800	1,509,924
Supplies	727,379	698,615
Rents, lease, and maintenance contracts	104,184	96,287
Provision for bad debts	634,638	456,462
Telephone and utilities	151,022	144,671
Insurance	72,015	52,558
Other	166,061	147,835
Depreciation	<u>362,442</u>	<u>368,770</u>
<u>Total operating expenses</u>	<u>7,175,405</u>	<u>6,298,244</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(651,459)</u>	<u>10,084</u>
<u>NON OPERATING REVENUES AND EXPENSES</u>		
Taxes - Maintenance and revenue sharing	1,119,526	1,009,712
Interest from Board designated funds	159,608	134,463
Grants and donations	47,572	137,507
Interest expense	(2,639)	(2,810)
All other	<u>(2,687)</u>	<u>4,178</u>
<u>Total non operating revenues</u>	<u>1,321,380</u>	<u>1,283,050</u>
<u>INCREASE IN NET ASSETS</u>	669,921	1,293,134
<u>NET ASSETS BEGINNING OF YEAR</u>	<u>7,973,074</u>	<u>6,679,940</u>
<u>NET ASSETS END OF YEAR</u>	<u><u>8,642,995</u></u>	<u><u>7,973,074</u></u>

Notes are an integral part of this statement.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2003, AND MARCH 31, 2002

	<u>YEAR ENDED MARCH 31, 2003</u>	<u>YEAR ENDED MARCH 31, 2002</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from and on behalf of patients	\$4,630,572	\$5,869,820
Receipts from other operating activities	752,593	326,700
Payments to suppliers and contractors	(2,730,384)	(2,704,363)
Payments to employees for salaries and benefits	(3,215,332)	(2,918,585)
<u>Net cash used by operating activities</u>	<u>(562,551)</u>	<u>573,572</u>
<u>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</u>		
Property taxes and revenue sharing monies received	1,101,329	1,029,078
Non capital grants and contributions	<u>5,375</u>	<u>900</u>
<u>Net cash provided by non capital financing activities</u>	<u>1,106,704</u>	<u>1,029,978</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital grants and contributions	6,233	100,643
Long term borrowings	529,549	0
Repayment of long term debt	(19,641)	(41,790)
Purchase of capital assets	(1,227,819)	(492,213)
Interest paid on long term debt	<u>(2,639)</u>	<u>(2,810)</u>
<u>Net cash used by capital and related financing activities</u>	<u>(714,317)</u>	<u>(436,170)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and earnings of investments	159,608	134,463
Sales and purchases of investment instruments, net	<u>382,856</u>	<u>(2,314,429)</u>
<u>Net cash provided by investing activities</u>	<u>542,464</u>	<u>(2,179,966)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	372,300	(1,012,586)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>651,154</u>	<u>1,663,740</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>1,023,454</u>	<u>651,154</u>

Notes are an integral part of this statement.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. James Parish Hospital Service District, d/b/a St. James Parish Hospital is a not for profit acute care hospital. Effective August 1, 2001, the Hospital met the medicare participation requirements to be classified as a critical access hospital. The Hospital was approved by the St. James Parish Police Jury and is a political subdivision organized under the State of Louisiana laws. The Hospital has a Board of Commissioners who are appointed by the Parish Council/Police Jury. The St. James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St. James Parish Council.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Cash and cash equivalents consist of cash on hand and in bank accounts, and also certificates of deposit, with maturity dates at acquisition that is less than 90 days, plus accrued interest.

Inventories are stated at the lower of cost or market using an average cost method.

Financial instruments included in assets whose use is limited represent debt securities and are carried at fair market value at the balance sheet date. Interest and other investment income, both realized and unrealized, are reported as nonoperating revenues when earned.

Property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method at rates approximating the estimated useful lives of the property. Maintenance, repairs, replacements, and improvements of minor importance are expensed. Major replacements and improvements are capitalized.

The Hospital receives a 4.75 mills property tax which is levied January 1 each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The tax is in effect through December 31, 2006.

Revenues from grants and contributions are recognized when all eligibility requirements are met.

Operating revenues result from exchange transactions associated with providing health care services. Non exchange revenues, including property taxes, grants and contributions are reported as non operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing cost.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The Hospital's employees earn vacation days and sick days at varying rates depending on years of service. Employees may accumulate vacation days, and be paid if they leave before they exhaust this accumulation. Employees may accumulate sick leave but are not paid for accumulated sick leave.

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Advertising and promotion costs are expensed as incurred.

Certain revenue and expense items have been reclassified from their original presentation in 2002 to be consistent with the 2003 presentation.

NOTE #2: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. A summary of the payment arrangements with major third party payors follows:

Medicare - Since obtaining critical access designation, Inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology. Prior to August 1, 2001, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education cost related to Medicare program beneficiaries are paid based on a cost reimbursement methodology, and predetermined fee schedules. Inpatient psychiatric unit was reimbursed on a cost based concept but is limited to lower of target rates or cost. The inpatient psychiatric unit was closed June 26, 2001. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through March 31, 2000. Desk reviews have been performed on reports issued through March 31, 2002.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited through March 31, 2000, as part of the Medicare audit. A desk review has been performed on the report issued for March 31, 2002.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and Medicare fee schedules.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #3: **ACCOUNTS RECEIVABLE**

	MARCH 31, <u>2003</u>	MARCH 31, <u>2002</u>
Accounts receivable, patients consist of the following:		
Total receivables	\$1,558,566	\$1,316,792
Less allowance for doubtful accounts	<u>757,724</u>	<u>654,834</u>
<u>Total accounts receivable</u>	<u>800,842</u>	<u>661,958</u>

The Hospital provides for bad debts using formulas supporting collectibility of related patient groupings. When accounts are charged off they are removed from the related asset account and the allowance for bad debt account. The Hospital is located in Lusher, Louisiana and grants credit without personal collateral to its patients, most of whom are residents in the area. The mix of patient service revenues are as follows:

	<u>2003</u>	<u>2002</u>
Medicare/Medicaid	54%	53%
Commercial insurance	35	37
Self pay	<u>11</u>	<u>10</u>
	<u>100</u>	<u>100</u>

NOTE #4: **OTHER RECEIVABLES**

	MARCH 31, <u>2003</u>	MARCH 31, <u>2002</u>
Other receivables consist of the following:		
Council on Aging for meals	\$29,211	\$23,320
Gulf South settlement	0	95,644
St. James Home Care	50,663	72,031
St. James Psychiatric Hospital	24,086	3,996
All other	<u>0</u>	<u>(101)</u>
	<u>103,960</u>	<u>194,890</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #5: ASSETS WHOSE USE IS LIMITED

Assets whose use is limited under agreements with third party payors for funded depreciation are summarized as follows:

Certificate of deposit maturing in June 2004 and 2003 with interest rate of 1.14% and 1.7%.	\$395,606	\$389,359
Certificate of deposit maturing in March 2004 and 2003 with interest rates of 1.29% and 2.3%.	523,266	511,369
US Government Securities - Agencies		
FHLB - \$1,090,000 and \$1,090,000 face value - 4.50% - 8.13% coupons, maturing 05/14/03-02/10/15, callable.	1,091,374	1,086,344
FFCB - \$103,450 and \$100,000 face value - 6.84% and 7.95% maturing March 2012 and January 2010, callable.	104,719	103,938
FNMA - \$700,000 face value - 5.75% - 7.88% coupons, maturing 06/06/05 - 06/28/16, callable.	0	704,859
FHLMC - \$1,249,874 and \$764,000 face value - 5% - 8% coupons, maturing 4/16/04 - 12/12/16, callable.	1,252,038	760,665
FED HM LN BK - \$600,000 face value - Zero coupon - maturing 08/11/17, callable.	0	197,100
Cash Management Account - Paine Webber Government Securities Fund.	510,295	484,845
Accrued interest	<u>22,676</u>	<u>44,351</u>
	<u>3,899,974</u>	<u>4,282,830</u>

Certificates of deposit in excess of insured deposit limits were collateralized by U.S. Government securities and other Agency obligations. US Government securities are carried at fair value with accrued interest.

NOTE #6: CAPITAL ASSETS

Capital assets consist of the following:

	MARCH 31, 2003	MARCH 31, 2002
Land	\$202,643	\$52,159
Building and improvements	3,733,897	3,286,734
Equipment	<u>4,922,307</u>	<u>4,167,227</u>
	8,858,847	7,506,120
Allowance for depreciation	<u>5,474,924</u>	<u>5,292,985</u>
	3,383,923	2,213,135
Construction in progress	<u>0</u>	<u>308,098</u>
<u>Total property and equipment</u>	<u>3,383,923</u>	<u>2,521,233</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #7: PENSION PLAN

The Hospital is a member of the Parochial Employees' Retirement System of Louisiana - Plan B. All employees must participate in this plan. The Plan B fund is financed by employee contributions of 3% and 2% for 2003 and 2002, respectively, and employer contributions as determined by the Public Retirement Systems' Actuarial Committee. The Actuarial committee has determined that the employer contribution rate for 2003 and 2002 to be 3.75% and 2.75%, respectively - (5.25% for 2004.) The actuarial cost method used for Plan B is the aggregate actuarial cost method with allocation based on earnings. The normal cost is interest adjusted for midyear payment. The ratio of assets to the pension benefit obligation in Plan B was 108% and 118% at December 31, 2002 and 2001 respectively. Total pension expense was \$67,891 for the year ended March 31, 2003, and \$55,999 for the year ended March 31, 2002. All amounts expensed have been funded to the plan.

NOTE #8: RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) Hospital professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers compensation are pooling arrangements whereby there is a sharing of risks among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

NOTE #9: LONG-TERM DEBT

	<u>MARCH 31,</u> <u>2003</u>	<u>MARCH 31,</u> <u>2002</u>
Long-term debt consist of the following		
Installment obligation incurred to purchase CT equipment requiring monthly payments, including interest at 4.85%, of \$9,957 thru May 2008	\$529,549	\$0
Installment obligation incurred to purchase Nuclear equipment requiring monthly payments, including interest at 6.5%, of \$2,565 thru September 2002	0	15,099
Installment obligation incurred to purchase Mammogram equipment requiring monthly payments including, interest at 6.8%, of \$1,152 thru August 2002	<u>0</u> 529,549	<u>4,542</u> 19,641
Less current maturities	<u>79,603</u>	<u>19,641</u>
	<u>449,946</u> =====	<u>0</u> =====

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE #9: LONG-TERM DEBT continued

The following table reflects the maturity schedule of these obligations.

FYE March 31, 2005	\$99,864
FYE March 31, 2006	104,813
FYE March 31, 2007	110,011
FYE March 31, 2008	115,467
FYE March 31, 2009	19,791

NOTE #10: ST. JAMES HOME CARE AND ST. JAMES PSYCHIATRIC HOSPITAL

The Hospital entered into a cooperative endeavor agreement with Louisiana Health Care Group to provide home health services as St. James Home Care. As part of this agreement the Hospital leased certain premises to St. James Home Care. Total revenue recognized and subsequently received by the Hospital under the cooperative endeavor agreement amounted to \$217,597 and \$107,541 for the year ended March 31, 2003 and 2002. Total rent received by the Hospital under this rental arrangement amounted to \$3,000 and \$12,567 for the years ended March 31, 2003 and 2002, respectively. All these amounts are reflected in other operating revenues.

The Hospital entered into a lease agreement with St. James Psychiatric Hospital, Inc. to lease certain premises within the Hospital on June 18, 2001. The primary term of the lease was for a one year period ending June 17, 2002, with an option to renew for five additional one year terms. The Hospital received \$197,940 and \$126,765 in rents related to this agreement for the year ended March 31, 2003, and March 31, 2002. These amounts are reflected in other operating revenues.

NOTE #11: <u>RECONCILIATION OF OPERATING INCOME LOSS TO NET</u> <u>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	Year ended March 31, 2003	Year ended March 31, 2002
Net income (loss) from operations	\$(651,459)	\$10,084
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	362,442	368,770
Changes in:		
Accounts receivable	(138,884)	(7,579)
Contractual settlements	(458,189)	503,758
Other receivables	90,930	(151,525)
Prepaid expenses	(1,847)	(21,978)
Inventories	(9,649)	(37,132)
Accounts payable	151,573	4,637
Accrued expenses	<u>92,532</u>	<u>(95,463)</u>
Net cash provided (used) by operating activities	<u>(562,551)</u>	<u>573,572</u>

Supplemental Information

Board of Commissioners
St. James Parish Hospital Service District
St. James Parish Hospital
Lutcher, Louisiana

Gentlemen:

The purpose of my audit of the financial statements of

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
LUTCHER, LOUISIANA

was to formulate an opinion on the basic financial statements taken as a whole.

The financial data which follows is not necessary for a fair presentation of financial position, results of operations, changes in net assets, and cash flows, in conformity with auditing standards generally accepted in the United States of America. It is presented for supplementary analysis purposes. It was subjected to audit procedures applied in the examinations of the financial statements for the years ended March 31, 2003, and March 31, 2002, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 19, 2003

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
STATEMENTS OF REVENUES
YEARS ENDED MARCH 31, 2003, AND MARCH 31, 2002

	<u>YEAR ENDED MARCH 31, 2003</u>	<u>YEAR ENDED MARCH 31, 2002</u>
<u>PATIENT SERVICE REVENUES</u>		
Room and nursing	\$284,970	\$303,709
Central supply	500,534	423,230
Laboratory	1,566,085	1,253,231
Radiology	576,659	448,023
Pharmacy	767,874	677,645
Operating and recovery	1,072,262	963,467
Respiratory therapy	301,943	302,993
Emergency room	1,241,849	1,108,320
Physical therapy	464,597	317,050
Anesthesiology	298,324	274,903
Cardiology	294,398	279,559
Ultrasound	187,182	154,904
Nuclear medicine	361,887	369,463
CT Scan	311,893	253,272
Mammogram	69,516	60,077
Occupational therapy	51,288	1,665
Observation	10,076	30,443
Speech therapy	26,163	10,854
Psych Center	0	436,500
All other	<u>6,154</u>	<u>10,427</u>
<u>Totals</u>	<u>8,393,654</u>	<u>7,679,735</u>
<u>CONTRACTUAL ADJUSTMENTS</u>		
Medicare and Medicaid	1,293,482	750,700
Insurance and other	1,212,418	1,061,521
Administrative adjustments, etc.	<u>25,471</u>	<u>37,411</u>
<u>Totals</u>	<u>2,531,371</u>	<u>1,849,632</u>
<u>Totals</u>	<u>5,862,283</u>	<u>5,830,103</u>
<u>OTHER OPERATING REVENUES - PATIENT SERVICES</u>		
Cafeteria	\$61,610	\$42,365
Council on Aging	172,697	165,127
Joint venture - St James Home Care	217,597	107,541
Rents	202,396	152,201
Vending machines	1,995	1,808
All other	<u>5,368</u>	<u>9,183</u>
<u>Totals</u>	<u>661,663</u>	<u>478,225</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
STATEMENTS OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2003, AND MARCH 31, 2002

	<u>YEAR ENDED MARCH 31, 2003</u>	<u>YEAR ENDED MARCH 31, 2002</u>
<u>PAYROLLS</u>		
Nursing	\$462,951	\$649,438
Human resources	34,618	31,212
Administration	380,789	163,888
Business office	167,642	153,524
Purchasing	40,215	36,158
Laboratory	192,318	160,322
Radiology	209,139	141,928
Pharmacy	113,100	101,313
Operating and recovery	161,224	124,396
Emergency room	305,882	200,613
Anesthesiology	137,721	121,497
Dietary	147,526	129,909
Housekeeping	94,462	78,303
Maintenance	69,232	68,389
Medical records	113,068	89,655
Psych unit	0	104,875
Cardiology	2,934	4,404
Respiratory	<u>105,591</u>	<u>101,266</u>
<u>Totals</u>	<u>2,738,412</u>	<u>2,461,090</u>
<u>CONTRACT SERVICES AND PROFESSIONAL FEES</u>		
Emergency room	\$702,726	\$606,477
Physical therapy	145,766	113,339
Respiratory therapy	575	10,992
Administration	372,779	329,115
Business office	74,325	64,915
Speech therapy	14,750	4,250
Laboratory	42,530	42,926
Nuclear medicine	64,901	62,383
Radiology	19,932	18,057
CT Scan	46,616	43,918
Occupational medicine	16,800	25,147
Anesthesiology	12,000	12,000
Maintenance	26,313	26,229
Housekeeping	32,300	28,603
Mammogram	0	6,005
All other	21,108	11,202
Medical records	17,750	14,384
Psych center	0	48,000
Business development	18,000	0
Ultrasound	<u>20,629</u>	<u>41,982</u>
<u>Totals</u>	<u>1,649,800</u>	<u>1,509,924</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
STATEMENTS OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2003, AND MARCH 31, 2002

	<u>YEAR ENDED MARCH 31, 2003</u>	<u>YEAR ENDED MARCH 31, 2002</u>
<u>SUPPLIES</u>		
Nursing	\$23,751	\$14,770
Central supply	98,502	105,887
Laboratory	116,659	113,776
Radiology	38,447	20,523
Nuclear medicine	34,480	59,051
CT Scan	1,989	6,106
Home Health	0	0
Pharmacy	112,510	109,072
Operating and recovery	37,796	25,171
Emergency room	16,798	15,360
Anesthesiology	1,646	619
Cardiology	970	1,226
Physical therapy	2,834	2,203
Respiratory therapy	20,158	21,812
Mammogram	10,998	12,755
Dietary/Council on Aging	146,460	140,292
Medical records	2,420	3,631
Housekeeping	14,532	10,480
Maintenance	23,527	14,846
Business office	14,119	14,145
Psych center	0	958
Administration	6,660	2,895
All other	<u>2,123</u>	<u>3,037</u>
<u>Totals</u>	<u>727,379</u>	<u>698,615</u>
<u>OTHER EXPENSES</u>		
Travel and training	\$105,869	\$50,039
Purchase ancillary	77	1,759
Other administrative	115	725
Postage	13,923	21,555
Licenses	8,387	9,754
Advertising	28,791	45,222
All other	<u>8,899</u>	<u>18,781</u>
<u>Totals</u>	<u>166,061</u>	<u>147,835</u>



LARRY G. JOHNSON

CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL ACCOUNTING CORPORATION

September 19, 2003

The Board of Commissioners
St. James Parish Hospital District
Post Office Box 430
Lutcher, Louisiana 70071

Members of the Board:

I have audited the basic financial statements of St. James Parish Hospital District, Lutcher, Louisiana, for the year ended March 31, 2003, and have issued my report thereon dated September 19, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. James Parish Hospital's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements of St. James Parish Hospital District, Lutcher, Louisiana, for the year ended March 31, 2003, I considered its internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that in my judgement could adversely affect St. James Parish Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions described above, I did not consider any to be a material weakness.

Management has addressed all processes that have segregation of duties weaknesses by requiring subsequent review by supervisory personnel in these areas. All significant and or recurring journal entries are required to have supporting working paper documentation before the journal entry is posted. The Hospital engaged external consultants in the health care industry to perform detail reviews of their internal controls and implemented all required actions. This inspection process by external consultants is to be repeated in the fiscal year ending March 31, 2004.

This report is intended for the information of the Board, Management and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Very truly yours,

LARRY G. JOHNSON - APAC

By: 